

# Goss ■ Samford PLLC



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PUBLIC SERVICE  
COMMISSION

January 7, 2015

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**HAND DELIVERED**

Re: PSC Case No. 2014-00051

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and six copies of the responses of East Kentucky Power Cooperative, Inc. to Request No. 12 of the Commission Staff's Post Hearing Request for Information dated December 24, 2014 from the formal hearing held on December 16, 2014.

Very truly yours,

David S. Samford

Enclosures

Cc: Parties of Record

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF EAST )  
KENTUCKY POWER COOPERATIVE, INC. )  
FOR THE TWO-YEAR BILLING PERIOD )  
ENDING DECEMBER 31, 2013 AND THE PASS )  
THROUGH MECHANISM FOR ITS SIXTEEN )  
MEMBER DISTRIBUTION COOPERATIVES )**

**CASE NO.  
2014-00051**

**RESPONSES TO COMMISSION STAFF'S POST-HEARING REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.**

**DATED DECEMBER 24, 2014**

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2014-00051**

**PUBLIC SERVICE COMMISSION REQUEST DATED 12/24/14**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests contained in the Post-Hearing Request for Information to the Order of the Public Service Commission ("PSC") in this case dated December 24, 2014. Each response with its associated supportive reference materials is individually tabbed.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2014-00051**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION DATED  
12/24/14**

**REQUEST 12**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 12.** This question is addressed to EKPC and all of the member distribution cooperatives. If the Commission approves the since inception methodology proposed by South Kentucky, does EKPC and each member distribution cooperative agree that the since inception methodology should be applied to calculate the over-/under-recovery amount for all of the member distribution cooperatives, for this proceeding only, and adopt the amortization exclusion methodology for future proceedings?

**Response 1a.** EKPC believes that the determination of the appropriate over- or under-recovery amount applicable in this proceeding to the Member Distribution Cooperative's ("Members") pass-through mechanism rests with the Members and not EKPC. EKPC does agree with and supports the use of the amortization exclusion methodology for all future pass-through surcharge review proceedings.

That being said, EKPC notes that KRS 278.183(3) requires that the surcharge amounts authorized during six-month and two-year reviews are to be just and reasonable. EKPC would further note that on two previous occasions the Commission has permitted a Member to "deviate" from the approach followed by the other EKPC Members. In

Case No. 2006-00131,<sup>1</sup> Inter-County Energy Cooperative Corporation requested that the collection of its under-recovery be deferred until the conclusion of the next six-month review period due to an accounting method change that took place at the end of the review period. The Commission found the deferral to be reasonable given the accounting change and approved the request. In Case No. 2009-00039,<sup>2</sup> Fleming-Mason Energy Cooperative (“Fleming-Mason”) and Owen Electric Cooperative (“Owen”) proposed that their respective pass-through methodologies be changed to provide for the direct pass through of EKPC’s wholesale environmental costs attributable to their respective EKPC Schedule B, C, and special contract customers. The Commission found the request to change the retail pass-through methodology for Fleming-Mason and Owen to be reasonable and approved the change. Fleming-Mason and Owen are the only Members utilizing this approach.

EKPC believes the determination of the appropriate over- or under-recovery amount applicable in this proceeding to the Members pass-through mechanism should primarily be left to the Members. Given the Commission’s previous decisions where uniformity was not required of the Members, EKPC would suggest that each Member should be permitted to decide whether it should adopt the since inception methodology in this case. The Commission might also want to give the Members a one-time opportunity to use the since inception methodology or forever waive it.

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<sup>1</sup> Case No. 2006-00131, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2005 and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives* (Ky. PSC Jan. 31, 2007), p. 4.

<sup>2</sup> Case No. 2009-00039, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Periods Ending December 31, 2007; June 30, 2008; and December 31, 2008; and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*(Ky. PSC Nov. 6, 2009), p. 6-7.